

# Nantucket Housing Needs Covenant Program

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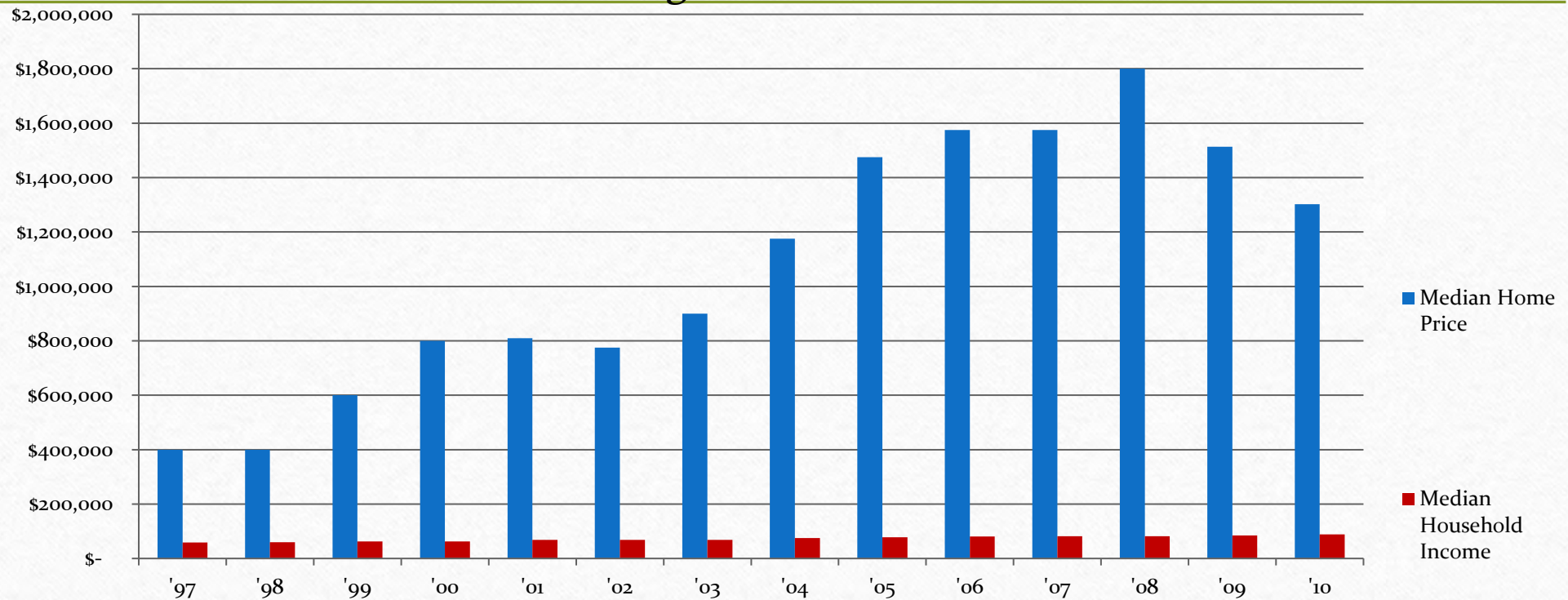


COMMUNITY DEVELOPMENT PARTNER

2026

# The Nantucket Challenge

## Median Income lags Median Home Price



# The Covenant Program: A Solution

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Stemming from Article 36 passed by Nantucket voters at the 2001 Annual Town Meeting, the purpose of the Covenant Program is to:

- create a stable housing option for **year-round islanders** earning less than 150% of the Nantucket median household income
- maintain Nantucket's **diverse community**
- generate a supply of housing that will remain **permanently affordable**

# The Concept

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- The Covenant Market is a **sub-market** of Nantucket's residential real estate market.
- Covenant Homes are created when a property owner puts an affordability Covenant on a lot, **allowing for separate ownership** of two dwellings on that lot. Usually, the primary dwelling is the market rate unit, and the secondary dwelling is the Covenant unit.
- The sale of the Covenant unit is **restricted to income qualified applicants** and the **price must be below the Maximum Sales Price/ Resale Price**.

# Ownership Restrictions

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- Covenant homeowners must occupy the Covenant home 10 out of 12 months per year
  - documented annually by responding to a Housing Nantucket mailing
- Covenant homeowners may not rent out the unit as a whole
  - may rent rooms but unit must be owner-occupied
  - may construct and rent Accessory Dwelling Units (ADUs) in compliance with applicable zoning and other laws; however, the owner must continue to occupy the Covenant unit itself as their principal residence.
- No income or real estate restrictions once Covenant home is purchased
- Re-sale of Covenant home must follow program rules

Housing Nantucket may impose fines of up to \$300 per day per violation for non-compliance as stated in regulations. In extreme cases, the Housing Authority could foreclose upon the Covenant Home.

# Two Types of Covenants

## Condominium

- **One lot** with separate owners of primary and secondary dwellings.
- A **condo association** exists between the owners of the market rate and covenant rate units that addresses shared areas
- **No Planning Board approval** required

## Secondary Lot

- Lot is split resulting in **two lots** with separate owners
  - Shared areas are addressed in a homeowners agreement.
- The minimum lot size for the smaller of the two lots shall be at least 40% of the minimum lot size for the district in which the lot is located.
  - Except in the LUG-2 and LUG-3 Districts, where the secondary lot may be reduced to 20,000 sq ft.
  - For pre-existing nonconforming lots, the Planning Board may issue a special permit defining the lot areas.
- Zoning, setback and Planning Board restrictions and approvals apply.

# Qualified Buyers

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- To qualify, buyers must **earn below 150% of Nantucket's Area Median Income**  
2026 Qualifying Income is \$245,250 / year
- Buyers must be a **Nantucket resident** or intend to become one.
- Buyer's unrestricted assets **must total less than \$427,085** (50% of the current Maximum Sales Price.)
- Buyers **may not own residential real estate on Nantucket** at the time they purchase a covenant home.

# Sales Price of the Covenant House

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The sales price is capped by the Maximum Sales Price, which is designed to be affordable to moderate income islanders.

2026 Max Sales Price Cap is \$854,171

Covenant sellers pay 1/2% of Max Sales Price as an administrative transfer fee to Housing Nantucket.

2026 Transfer Fee is \$4,271

# Maximum Resale Price

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The Maximum Resale Price is the greater of the Max Sales Price or the price the current Covenant House Owner paid for that Covenant House.

## *Example*

In 2021, a buyer paid \$800k for a Covenant Home. In 2031, she decides she wants to sell. Suppose the Max Sales Price in 2031 is \$750k. The Covenant Homeowner may price her home at \$800k and can sell it there. However, it is also possible that market conditions may mean there are no willing buyers at that price.

# The Process- Buyers

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1. Complete and return Qualified Purchasers Application to Housing Nantucket
2. Meet with Housing Nantucket staff to complete application process and gain approval
3. Work with a bank to determine loan qualification
4. Find and negotiate for a desired covenant home
5. Work with attorney and Housing Nantucket to transact

Housing Nantucket has 30 days from receipt of complete application to evaluate and issue a Qualified Purchaser's Certificate. Certificate is valid for a year from issue.

# The Process- Secondary Lot Sellers

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For first time sale into the Covenant Program, a seller must:

1. Fill out and return Qualified Sellers Application to Housing Nantucket
2. Meet with Housing Nantucket staff to complete application process and gain approval
3. Obtain Planning Board and/or ZBA approval
4. Create Homeowners Agreement to address shared areas
5. Pay transfer fee to Housing Nantucket
6. Transact. Covenant deed restriction is recorded on the property at the time of transaction.
7. The market unit transaction must occur after the covenant transaction.

# The Process- Condo Sellers

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For first time sale into the Covenant Program, a seller must:

1. Fill out and return Qualified Sellers Application to Housing Nantucket
2. Meet with Housing Nantucket staff to complete application process
3. Work with attorney to create Condo documents to address shared areas.
4. Pay transfer fee to Housing Nantucket
5. Transact
6. Covenant deed restriction is recorded on the property

# Frequently Asked Questions

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## *How is the Maximum Sales Price calculated?*

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The Max Sales Price formula takes 30% of the gross annual income of household earning 125% of Nantucket's Median Family income to determine an affordable monthly housing payment. This monthly payment is used to back into annual debt service with 90% financing.

Housing Nantucket recalculates the Max Sales Price cap in January every year. The Maximum Sales Price depends on the Prevailing Interest Rate from local banks for a 30 year fixed "jumbo" loan. If the rates differ between banks, the higher rate is chosen (which will lead to a lower Maximum Sales Price).

## *2026 Maximum Sales Price Calculation*

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- In 2026, Nantucket's Median Family Income is \$163,500. Therefore, the target monthly mortgage payment is \$5,109. A rate of 6.99% services a loan of \$768,754. Adding a 10% down-payment makes the Max Sales Price cap \$854,171 (or less).

The Maximum Sales Price does not take taxes and insurance into account. It may not be increased to cover real estate broker or attorney fees.

*Are there charitable tax benefits to create a Covenant home?*

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There are no charitable tax benefits involved in creating a Covenant home. Sellers get to subdivide a portion of their lot that otherwise they could not.

*Can I create a Covenant home for myself or a family member if we don't meet the income requirements?*

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Yes, under the Qualified Family Member provision. A Qualified Family Member includes oneself, a spouse, parents, grandparents, children, grandchildren, brothers and sisters. The owner must follow program rules regarding occupancy and resale.

## *How do assets factor into purchaser qualification?*

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The value of a purchaser's unrestricted assets (cash, investments, real estate, etc.) must be below \$427,085. Yearly income derived from assets is determined by multiplying the asset value by HUD's passbook savings rate (currently 0.40%).

## *For how many years must an Applicant earn below the Qualifying Income?*

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The average of the Applicant's income from the previous two years must be less than the qualifying income.

## *Who counts as part of the Household?*

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All individuals, regardless of familial relationship, who possess the present intent to share residency in a Covenant home count as part of the household.

## *Will Housing Nantucket help market a covenant home?*

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Once a Seller is qualified and marketing information is provided to Housing Nantucket, we will send an email blast to Qualified Buyers notifying them that there is a new Covenant Home on the market. Housing Nantucket will include information about a seller's property listing on our website and social media, if the seller chooses.

Though our organization does not advise sellers on how to price a Covenant listing, we do periodically update recent transaction data on our website.

<https://www.housingnantucket.org/covenant-homes/>

## *How does the Land Bank fee apply for Covenant buyers?*

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Covenant purchasers are eligible for the “O” exemption from the Land Bank fee, which means they do not pay the Land Bank tax because the property is subject to an affordability restriction. If the Covenant owner sells the property within five years, this fee will be due to the Land Bank with interest & penalties. Talk to your attorney for more details.

## *Can I rent my Covenant home?*

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- A Covenant homeowner may rent a room in their home to a lodger, but must continue to live in the Covenant unit themselves. Any lodgers must be reported through the annual residency verification.
- Owners may construct and rent Accessory Dwelling Units in compliance with zoning and other laws; however, the owner must continue to occupy the Covenant unit itself as their principal residence.
- In extenuating circumstances, an owner may request **prior written consent** from Housing Nantucket's Board of Directors to temporarily rent the Covenant unit.
- Short-term rentals of a Covenant unit are strictly prohibited.

## *When I sell my Covenant home, can I get any appreciation?*

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There are no increases for appreciation built into the Program. However, it is possible to realize some appreciation on the sale of the Covenant home if it was purchased at less than the Maximum Sales Prices, and/or if the maximum sale prices increase.

## *How does inheritance work?*

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A covenant home may be left to an unqualified individual, but the recipient must follow program rules regarding occupancy and resale.

## *What are the types of concerns addressed in Condo Documents & Homeowners Agreement?*

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- shared septic
- shared well
- shared driveway
- potential expansion

*If money is spent on necessary upgrades, can the Maximum Sale Price be increased to cover these costs?*

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The Maximum Sale Price is keyed to an affordability formula. It cannot be increased.

## *What is the relationship between Housing Nantucket and Nantucket Housing Authority?*

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The Nantucket Housing Authority (NHA) is a public office with elected commissioners. The NHA is the authority who signs the Covenants. This is done at their monthly board meetings.

Housing Nantucket is a nonprofit organization whose mission is to create community housing opportunities for Nantucket residents. Housing Nantucket administers the Covenant Program for the NHA, qualifying buyers and sellers and overseeing transactions.

## *How do I prepare for home-ownership?*

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Housing Nantucket offers a First Time Homebuyer Education course twice a year through the Nantucket Community School. We also offer online education year-round. More information on these courses may be found here:

<https://www.housingnantucket.org/education/>

Local banks Hingham Savings Bank, Cape Cod 5, and Nantucket Bank are familiar with the Covenant Program and can answer specific questions about purchaser financing.

*Where can I get more information?*

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Applications, documents and transaction details may be found here:

<http://housingnantucket.org/covenant-homes/>

Program Regulations

[Nantucket Zoning Sec 139-7 and 139-8: Town Code Ch 100](#)

[Chapter 301 of the Acts of 2002 \(State\)](#)

Nantucket Median Family is published by the U.S. Department of Housing and Urban Development. <http://www.huduser.org>

# Summary

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- For buyers, the Covenant market is a less volatile alternative to the open market. It is a home-ownership opportunity at an affordable price.
- For sellers, the Covenant Program is an opportunity to sell a piece of their land which they would not otherwise be able to subdivide.
- For Nantucket, owner-occupied homes scattered in various neighborhoods around the island promotes a more stable year-round community with greater vested interest.